

CAPE LIGHT COMPACT RESIDENTIAL ENERGY CONSERVATION SERVICE 2003 PROGRAM DESCRIPTION

SUMMARY AND PROCEDURAL POSTURE

The Cape Light Compact (the “Compact”) Residential Energy Conservation Services (“RCS”) Program will be significantly enhanced in 2003 because of the RCS redesign sponsored by the Division of Energy Resources (“DOER”). This redesign will enable the Compact to meet or exceed the basic RCS Program requirements by integrating the RCS Program with the best practices of the Compact’s former Residential High Use (“RHU”) Program. The DOER-sponsored RCS redesign was effectuated through the cooperation of all the Massachusetts gas and electric utility efficiency program administrators, as well as the Compact, who work together as the RCS Network. The RCS Network members have also renamed the statewide RCS Program for 2003 as the Massachusetts HomEnergy Program (the “HomEnergy Program”). In 2003, the Compact will join the programs and services previously offered under its RCS and RHU Programs under the umbrella of the new HomEnergy Program.

Although the Compact’s proposed 2003 RCS budget appears on its face to be much greater than the 2002 budget, it should be noted that the 2003 budget figures represent the combination of the previous RCS and RHU Programs into the single HomEnergy Program. As shown in Table No. 1 below, the 2002 budget for the RCS Program was \$196,245, while the 2002 RHU budget was \$872,351. Therefore, the combination of the 2002 budgets for both programs was \$1,068,596. The 2003 budget, which includes both of the former RCS and RHU Programs together at \$1,275,133, represents a 19% increase due, in part, to projected increases in energy efficiency revenues as compared to the consolidated budgets for the previous year.

As a municipal aggregator, the Compact is committed to an open process with a high degree of public participation in the review of its energy efficiency programs. In numerous filings before the Department, the Compact has described in detail the extensive public outreach and comment opportunities it has provided in the design of its various energy programs. *See, e.g.*, the Cape Light Compact’s Energy Efficiency Plan (“EEP”), pp. 48-52, submitted on December 4, 2000 in DTE 00-47-C. Pursuant to G.L. c. 164, §134(b), the Department of Telecommunications and Energy (the “DTE”) reviewed and approved the Compact’s EEP on April 6, 2001. The Order for DTE 00-47-C approving the Compact’s EEP stated that a “municipality that has a certified energy plan should receive and expend the full amount of energy efficiency dollars contributed by customers within its municipal boundaries.” (DTE 00-47-C, p. 23). Furthermore, the DTE concluded that the Compact’s EEP “achieves an appropriate balance among the priority-setting goals by (1) allocating spending equitably among customer classes, (2) giving due emphasis to lost opportunity and market transformation programs, (3) fully utilizing competitive procurement processes, (4) facilitating the development of a competitive market for energy efficient products and services, (5) balancing short- and long-run savings from energy efficiency programs; and (6) optimizing cost-effectiveness.” DTE 00-47-C, p. 20.

Pursuant to G.L. c. 164, §134(b), the Compact also intends to provide written notice to the DTE within two years of the initial approval that its EEP has been fully implemented. The Compact notes

that the DTE also approves energy efficiency expenditures under G.L. c. 25A, §11G, after determining that implementation of such expenditures is cost effective. As stated in the previous paragraph, the Compact has previously sought approval from the DTE of its EEP, and intends to seek such approval again in early 2003. In marked contradistinction to 134(b) and 11G, however, the regulatory construct for review of the RCS expenditures in the instant proceeding is quite different. Pursuant to G.L. c. 164 App. §2-7, *utilities* are required to annually submit their proposed RCS operating budgets to the DTE for approval. (Emphasis added.) Although the Compact is not a “utility” under G.L. c. 164 App. §2-1 or §2-7 and the Department thus lacks the same review authority as is the case with a utility,¹ the Compact is submitting its annual RCS budget to the DTE because of its role as a municipal aggregator that is responsive to its constituencies, and because of its commitment to an open and participatory process.

BACKGROUND

The Compact is a cooperative effort of all of the twenty-one towns on Cape Cod and Martha’s Vineyard, as well as Barnstable and Dukes Counties. The Compact was formed in 1997 following two years of study and town meeting and town council votes. Its purpose is to protect and represent consumer interests in emerging competitive markets for electricity. The Compact offers an option for all consumers—large and small—and brings together the buying power of more than 193,000 metered customers in the twenty-one member communities. Since its formation, the Compact has made substantial progress in its objectives despite difficult and volatile energy markets, and has been recognized as a national model for communities facing the challenges of energy industry deregulation.

The Compact has instituted a comprehensive approach to protecting and representing consumer interests on cost, power reliability, and planning for the region. The Compact offers opportunities to: 1) reduce power cost through the purchase of power supply at competitive rates; 2) reduce a consumer’s total bill through energy efficiency and conservation programs; 3) lay the groundwork for new technology through development of policies for distributed generation and renewable energy, which can improve local electric reliability and power quality; and 4) provide professional representation on behalf of consumers regarding a range of electric rate and service issues.

In April 2001, the Compact obtained approval from the DTE for its EEP. (DTE 00-47-C.) At that time, the Compact also executed a transition agreement with NSTAR/Commonwealth Electric outlining the procedures necessary for transferring the energy efficiency programs previously operated by NSTAR to the Compact communities. In July 2001 the Compact began providing its efficiency programs to all member towns on Cape Cod and Martha’s Vineyard.

As of 2001, the Compact territory included approximately 163,000 residential customers, and the total electricity sales for residential customers were approximately 1,004,884 mWh. Total electricity sales in calendar year 2001 were approximately 1,852,904 mWh within the Compact territory.

¹ The Department need not determine the extent of its authority over the Compact’s RCS Program because the Compact is voluntarily submitting it here for review.

2003 HomEnergy Program Description

The 2003 HomEnergy Program will include services required by the redesigned RCS Program and will be integrated with, where applicable, the RHU Program. This program integration will provide significant improvements for customers while at the same time introducing administrative efficiency and consistency across residential programs. Before describing the 2003 HomEnergy Program, it is useful to describe its predecessors: the RCS and RHU Programs.

2002 RCS Program

Purpose: The RCS Program is the state mandated program intended to increase awareness of energy efficiency and conservation by providing education and demonstration of available energy efficient products, and to motivate customers to adopt additional conservation measures on their own. This program is implemented through Tier 1 and Tier 2 services. Tier 1 provides customer education and materials and is the first point of contact to determine if a customer is eligible for Tier 2 in-home or additional services.

Target Market: The RCS Program is available to all residential non low-income customers that are not eligible for the RHU Program.

Target Technologies: The program provides a fuel blind assessment of all energy uses in a home, such as an evaluation of existing thermal conditions and heating equipment, as well as an inventory and consumption estimate of existing appliances.

Marketing Approach: The primary marketing approach of this program is through press releases, public service announcements, the Compact web site, and targeted direct telemarketing by the delivery vendor.

Financial Incentives to Participants: Customers receive a comprehensive energy audit that includes a top to bottom evaluation of existing energy systems, energy education, and the installation of cost effective efficiency measures at no direct charge to the customer (up to an average value of \$30).

Significant Recent Program Changes: Starting on July 1, 2001, the RCS Program implemented an Energy Efficiency Incentive ("EEI"). This incentive provided a follow through for customers to implement energy efficient technologies identified during the audit. The value of the incentive is thirty-three percent of the cost of the measure, up to an annual maximum of \$500.

Delivery Mechanism: The delivery of this program begins with an initial site visit in which all end uses are evaluated. This includes a top to bottom analysis of all energy systems within a residence, regardless of fuel type. A computerized report is generated to provide participants with information regarding the existing systems within the home, as well as a savings analysis of potential energy improvements that would be cost effective. Customers are then provided with

the information and the opportunity to participate in the EEI program, which would be delivered during subsequent visits.

Significant Recent Program Changes: As a result of the DOER-sponsored RCS redesign in 2002, the program will be renamed the Massachusetts HomEnergy Program.

Evaluation Methods: The program will be evaluated consistent with DOER objectives. The Compact is a participant in the RCS Network that includes representatives from DOER and gas and electric utilities and, where appropriate, will participate in program-wide evaluation activities.

2002 Residential High-Use Program

Purpose: The RHU Program is designed to reduce electric consumption through a whole-house approach to implementation of energy efficient technology.

Target Market: The RHU Program is available to all residential non low-income customers with annual consumption in excess of 8,000 kWh.

Target Technologies: The program offers lighting, appliance, domestic hot water, and building shell measure installations. A new offering instituted in July of 2001 is a zero interest revolving loan option for customers who heat primarily with electricity. This loan is provided for qualifying customers to switch from electric baseboard heat to a cost effective alternate fuel source.

Marketing Approach: The contractor is primarily responsible for marketing to eligible customers through targeted direct mail campaigns, telemarketing, or other activities. The Compact is also promoting the program through public service announcements, press releases and energy fairs, the Compact web site, and home shows throughout the district.

Financial Incentives to Participants: Customers receive a comprehensive energy audit that includes energy education and the installation of cost effective and inexpensive efficiency measures at no direct cost. Additional measures such as thermal insulation and air sealing, refrigerator replacements, and waterbed replacements are provided with an approximate 75% incentive to the customer.

Delivery Mechanism: The delivery of this program begins with an initial site visit in which all electrical end-uses are evaluated through a comprehensive assessment. This includes a blower door evaluation in homes heated by electricity, an end use analysis of appliances, and metering of electric consumption of refrigerators. During this initial visit, installation of low cost efficiency measures such as compact fluorescent light ("CFL") bulbs and domestic hot water energy savings devices may be installed. Additional eligible measures are identified, such as the replacement of the refrigerator, insulation, air sealing, HVAC repair and hard-wired fixture replacement. These measures are addressed in subsequent site visits.

Significant Recent Program Changes: As a result of the DOER-sponsored RCS redesign in 2002, the RHU Program will be integrated with, and made an enhanced service for, eligible customers of the Massachusetts HomEnergy Program.

Evaluation Methods: The Compact completed a process evaluation in 2002, and will be filing a report with the DTE and DOER by the end of 2002.

2003 HomEnergy Program

Purpose: The HomEnergy Program is a comprehensive program designed to reduce electric consumption through a whole-house approach to implementation of energy efficient technology. The 2002 RCS and 2002 RHU Programs were combined into this program in order to provide customers with a “one-stop shopping” approach to efficiency services, and to provide consistency across the key residential programs.

Target Market: The program is available to all residential non low-income customers.

Target Technologies: All of the technologies previously offered through the RCS and RHU Programs.

Marketing Approach: The contractor is primarily responsible for marketing to eligible customers through targeted direct mail campaigns, telemarketing, or other activities. The Compact is also promoting the program through public service announcements, press releases and energy fairs, the Compact web site, and home shows throughout the district. The Compact will continue to use the Tier I screening approach that has been developed for all Program Administrators of the RCS Program.

Financial Incentives to Participants: Customers receive a comprehensive energy audit that includes energy education and the installation of cost-effective and inexpensive efficiency measures at no direct cost. Additional cost-effective major electric measures such as thermal insulation and air sealing, refrigerator replacements, and waterbed replacements are provided with an approximate 75% incentive to the customer. Customers will be offered financial incentives for non-electric efficiency measures, using the EEI incentive structure that was developed for the RCS Program.

Delivery Mechanism: The delivery of this program begins with an initial site visit in which all electrical end-uses are evaluated through a comprehensive assessment. This includes a blower door evaluation in homes heated by electricity, an end use analysis of appliances, and metering of electric consumption of refrigerators. During this initial visit, installation of low cost efficiency measures such as compact fluorescent light (“CFL”) bulbs and domestic hot water energy savings devices may be installed. Additional eligible measures are identified, such as the replacement of the refrigerator, insulation, air sealing, HVAC repair and hard-wired fixture replacement. These measures are addressed in subsequent site visits.

INTEGRATION WITH OTHER ENERGY EFFICIENCY PROGRAMS

The Compact will fully integrate the benefits available through its other energy efficiency programs with the delivery of the HomEnergy Program. These programs include the Low Income programs, Residential New Construction, and Northeast Energy Efficiency Partnership (“NEEP”) initiatives (such as incentives on lighting and appliances). In addition, the Compact will inform, and with customer agreement, hand-off, customers to take advantage of services offered by KeySpan (the local gas utility on the Cape) if the house is heated with natural gas.

COMPARISON OF 2002 RCS PROGRAM TO 2003 HomEnergy BUDGET

When it is considered that the 2002 RCS and RHU budgets will be combined under the HomEnergy Program for 2003, the proposed increase in budget for all of the programs is not significant. As shown in Table No. 1 below, the 2002 budget for the RCS Program was \$196,245, while the 2002 RHU budget was \$872,351. Therefore, the combination of the 2002 budgets was \$1,068,596. The 2003 budget, which includes both of the former RCS and RHU Programs together at \$1,275,133, represents only a relatively modest increase from the consolidated budgets of the previous year. The Compact’s HomEnergy Program is awaiting approval by DOER as part of the Compact’s EEP update.

Table No. 1 Budget Comparison

	2002 Budget	2003 HomEnergy Proposed Budget
RCS (approved by DTE)	\$196,245	(integrated with RHU)
RHU (per EEP)	\$872,351	(integrated with RCS)
Total	\$1,068,596	\$1,275,133

COST EFFECTIVENESS

This program is expected to be highly cost-effective. Based on preliminary calculations, the Compact estimates that this program will have a Benefit Cost Ratio of roughly 1.8.